

TARIFF ACTION MEMORANDUM

To Commissioners:

Robert M. Pickett, Chairman
Stephen McAlpine
Antony G. Scott
Daniel A. Sullivan
Janis W. Wilson

Date: December 9, 2020
Date Filed: November 13, 2020
30-Days Ends: December 14, 2020
Effective Date: January 1, 2021

From: Brenda Cox, Utility Financial Analyst

Subject: TL5-746- PTE Pipeline, LLC, 2021 Rate Revision

Recommendation

Staff recommends the Commission:

1. Approve Tariff Sheet No. 5 filed on November 13, 2020, with an effective date of January 1, 2021. A side-by-side copy is attached as Schedule BKC-1.

Please see attached Staff Memorandum supporting the above recommendation.

Signed: Brenda Cox Title: Utility Financial Analyst
Brenda Cox

Commission decision regarding this recommendation:

| | Date (if different from 12/9/20) | I Concur | I Do Not Concur | I Will Write A Dissenting Statement * |
|----------|-------------------------------------|------------|--------------------|---|
| Pickett | _____ | <u>RMP</u> | _____ | _____ |
| McAlpine | _____ | <u>SM</u> | _____ | _____ |
| Scott | _____ | <u>AGS</u> | _____ | _____ |
| Sullivan | 12/10/20 | <u>DS</u> | _____ | _____ |
| Wilson | _____ | <u>JW</u> | _____ | _____ |

* If this column is initialed, Staff will contact the Commissioner for the statement; otherwise, the dissent will simply be noted at the close of the By Direction Letter Order.

M E M O R A N D U M

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1. Approve Tariff Sheet No. 5 filed on November 13, 2020, with an effective date January 1, 2021. A side-by-side copy is attached as Schedule BKC-1.

Background

The Point Thomson Export Pipeline (PTEP) is a 22 mile, 12-inch pipeline which transports condensate from the Point Thomson Unit to an interconnection with the Badami Pipeline. PTEP is owned and operated by PTE Pipeline LLC (PTEP LLC), which is owned by ExxonMobil Pipeline Company (EMPCo) which owns 68 percent and BP Transportation Inc which owns 32 percent. PTEP LLC has no employees. PTEP LLC entered a Master Services Agreement with EMPCo, under which EMPCo is responsible for the physical operation and maintenance of PTEP, as well as certain management functions. EMPCo executed an Operating Service Agreement with ExxonMobil Alaska Production Inc. (EMAP) where EMAP performs the physical operation and maintenance of PTEP, on behalf of EMPCo. All services provided by EMPCo and EMAP are provided at the respective company's cost, without mark-up for profit.

In Docket No. P-18-018 the Commission accepted a settlement agreement¹ filed by PTEP LLC and the State of Alaska (State), setting, among other things, permanent tariff rules, and a settlement rate of \$20.84 per barrel for the period September 1, 2018 – December 31, 2019.²

¹ Order P-18-018(3), *Order Accepting Settlement Agreement and Closing Docket*, dated August 27, 2019.

² Order P-18-018(1), *In the Matter of the Tariff revision Designated as TL2-746 Filed by PTEP LLC for Revised Rates*, dated August 29, 2018.

PTEP LLC's Settlement Agreement specifies that PTEP LLC is required to file revised interstate and intrastate rates by December 1 to be effective January 1 of each year. The rates may be no higher than the maximum rate calculated for each type of transportation, using the PTSM.³ The Settlement Agreement also allows PTEP LLC to adjust the maximum rate during the course of a year to reflect new or additional data that results in at least a 10 percent increase or decrease to the maximum rate for that year.⁴ The settlement agreement also requires PTEP LLC to provide all supporting information used to calculate the maximum rates to the State 60 days prior to filing its revised rates with the Federal Energy Regulatory Commission (FERC) and the State.⁵

On December 2, 2019, PTEP LLC filed TL3-746, proposing to decrease the rate from \$20.84 per barrel (bbl) to \$12.80/bbl, effective January 1, 2020. On December 23, 2019, the Commission approved Tariff Sheet No. 5, filed on December 2, 2019.⁶

On June 11, 2020, PTEP LLC filed TL4-746, proposing to decrease the rate from \$12.80/bbl to \$8.77/bbl effective July 1, 2020.⁷ On June 29, 2020, the Commission approved Tariff Sheet No. 5, filed on June 11, 2020.⁸

Filing

On November 13, 2020, PTEP LLC filed TL5-746, proposing to increase the rate from \$8.77/bbl to \$8.92/bbl, for intrastate transportation of petroleum on the PTEP from the Point Thomson Unit to an interconnection with the Badami Pipeline, effective January 1, 2021.

PTEP LLC is required to provide its preliminary rate calculation to the State 60 days prior to filing the revised rates so the parties can seek to resolve any questions or disputes regarding the rates calculated under the PTSM prior to the annual filing of the revised rates. PTEP LLC provided the preliminary rate calculations to the State on

³ See Section I-4(C)(a) of the Settlement Agreement.

⁴ See Section I-4(C)(b) of the Settlement Agreement.

⁵ See Section I-5(a) of the Settlement Agreement.

⁶ See Letter Order L1900472, dated December 23, 2019.

⁷ PTEP LLC filed the rate decrease in compliance with Section I-4 C(b) of the Settlement Agreement. If the throughput trend continued through 2020 the recalculation of the maximum rate would result in a decrease of more than 10 percent.

⁸ See Letter Order L2000264, dated June 30, 2020.

September 25, 2020.⁹ Although the Commission did not impose any condition on PTEP LLC to provide a hard copy printout or a disk containing the calculation of the rates using the PTSM, on November 25, 2020, PTEP LLC emailed Staff the PTEP Settlement Model and Staff held it confidential pursuant to 3 AAC 48.040(b)(10).¹⁰

Notice

The Commission publicly noticed TL5-746 on November 16, 2020, with a comment period ending December 7, 2020. The Commission received no comments or protests. In addition to the Commission's public notice, PTEP LLC notified the State and all parties on the subscriber list for Docket P-18-018, including all PTEP shippers over the past twelve months.¹¹

Analysis

Staff reviewed the components of the Settlement Agreement and the confidential Excel schedules provided for TL5-746 and verified the rate was calculated in accordance with the PTSM. Under the PTSM, the total cost of service is calculated as follows:¹² (Operating Expenses + DR&R Allowance + Depreciation + Equity AFUDC Allowance + IDC Amortization + Return on Rate Base + Income Tax Allowance + Net Carryover¹³). The Maximum Rate for Intrastate Transportation equals the ratio of the projected Total Cost of Service divided by the projected net deliveries of petroleum, rounded to the nearest cent, as provided for in the PTSM.¹⁴

⁹ Response to Staff questions, filed December 3, 2020, information was provided to John Ptacin and Brad Lui.

¹⁰ 3 AAC 48.040 Confidential Records.

(b) The following records are confidential and are not open to inspection by the public unless they are released under 3 AAC 48.049 or court order or their release is authorized by the person with confidentiality interests:

(10) records of a regulated public utility, pipeline carrier, or pipeline submitted to or copied by the commission's advisory staff during any audit, review, or investigation in connection with any formal or informal proceeding

¹¹ TL5-746, at page 2.

¹² See Section II-3(a) of the Settlement Agreement.

¹³ The net carry over is a mechanism embedded in the rate model to ensure that over time PTEP LLC recovers its exact revenue requirements. If there is an over collection in a given year, the following year's rate is reduced by the revenue surplus (plus interest). However, in years of under collection, the following year's rate is increased by the revenue shortfall (plus interest). This mechanism ensures that over time, the pipeline carrier collects its exact revenue requirements. See Section II-13 of the Settlement Agreement.

¹⁴ See Section II-1(c) of the Settlement Agreement.

Staff has not recalculated the model's computations, but rather accepts that the PTSM model accepted by the Commission in Order P-18-018(3) functions as designed. Staff notes that it was not able to independently verify the individual cost components or throughput volumes of the rate calculations because calculations are derived from company estimates, to which Staff does not have access. Therefore, Staff is relying on the settling parties to protest the proposed rate by filing comments during the public notice period if they believe the proposed rates violate the PTSM.

Conclusion

Staff's review of TL5-746 indicates that PTEP LLC's proposed rate revision, as calculated, are less than or equal to the maximum allowable rate in accordance with the Settlement Agreement, and therefore, Staff recommends the Commission approve Tariff Sheet No. 5, filed in TL5-746 on November 13, 2020, effective January 1, 2021.

Signature: 

Email: bob.pickett@alaska.gov

Signature: 
Stephen McAlpine (Dec 9, 2020 08:40 AKST)

Email: stephen.mcalpine@alaska.gov

Signature: 

Email: antony.scott@alaska.gov

Signature: 
Dan Sullivan (Dec 10, 2020 12:53 AKST)

Email: daniel.sullivan@alaska.gov

Signature: 

Email: janis.wilson@alaska.gov

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|-----------------------------|---|---------------------------------------|--|
| RCA No. <u>746</u> | | <u>5th Revised</u> | <u>Sheet No. 5</u> |
| Canceling | | | |
| | | <u>4th Revised</u> | <u>Sheet No. 5</u> |
| PTE PIPELINE LLC | | | |
| | | | Proposed Rate in Dollars & Cents Per Barrel |
| ITEM | FROM | TO | |
| 3.1 | Point Thompson Unit Central Production Facility, Alaska | Badami Pipeline Connection, Alaska | \$8.77 [R] |
| [R] Reduction | | | |
| Tariff Advice No. 004-746 | | Effective Date: July 1, 2020 | |
| Issued by: PTE Pipeline LLC | | | |

By: DocuSigned by:
Dore H. Wicks
 6985AB144B9F46F... sh

Title: President, PTE Pipeline LLC

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|-----------------------------|---|---------------------------------------|--|
| RCA No. <u>746</u> | | <u>6th Revised</u> | <u>Sheet No. 5</u> |
| Canceling | | | |
| | | <u>5th Revised</u> | <u>Sheet No. 5</u> |
| PTE PIPELINE LLC | | | |
| | | | Proposed Rate in Dollars & Cents Per Barrel |
| ITEM | FROM | TO | |
| 3.1 | Point Thompson Unit Central Production Facility, Alaska | Badami Pipeline Connection, Alaska | \$8.92 [I] |
| [I] Increase | | | |
| Tariff Advice No. 005-746 | | Effective Date: January 1, 2021 | |
| Issued by: PTE Pipeline LLC | | | |

By: DocuSigned by:
Dore H. Wicks
 6985AB144B9F46F... sh

Title: President, PTE Pipeline LLC

